

Cost Basis Reference Guide

What is original cost basis?

The original cost basis of your shares depends upon how those shares were acquired. If your account contains purchased shares and/or shares acquired via a reinvestment of dividends and capital gains, the original cost basis is generally equal to the purchase price, including commissions. Cost basis may be adjusted by various tax items including return of capital and wash sale rules.

Why do I have to calculate cost basis?

The IRS requires you to report your gains or losses calculated when you sell shares. Keeping track of your cost basis is an integral part of calculating your capital gain or loss.

What is Mandatory Cost Basis Reporting?

Congress passed the Emergency Economic Stabilization Act on October 3, 2008, which requires brokers, including mutual funds, to report adjusted cost basis information to the IRS and you on Form 1099B when you buy and sell shares after the effective date. The legislation also requires that the new Form 1099-B indicate if the gain or loss is short-term or long-term, and the amount of any loss disallowed under the wash sale rules.

If you acquire and sell a security in a taxable account on or after the effective date January 1, 2012, the fund will report cost basis for the security sold to you and the IRS on Form 1099-B. If you have mixed covered and non-covered positions (see definitions below) in the same mutual fund, the fund will report cost basis to you and the IRS for any covered positions that are sold. The fund will apply its mutual fund default method unless you inform the fund of another preferred method. Your cost basis method for all transactions will be final by the settlement date.

What is the effective date?

The legislation has tiered effective dates:

January 1, 2012

Stocks

January 1, 2012

Mutual Funds
DRPS

January 1, 2013 or Later

Bonds
Options
Other Securities

What are Covered and Non-covered Shares?

Covered shares are shares containing an IRS requirement to report basis to you and the IRS on Form 1099-B upon redemption or exchange. *Covered shares* generally consist of shares acquired after the January 1, 2012 legislation effective date.

Non-covered shares DO NOT contain an IRS requirement to report basis to you or the IRS on Form 1099-B upon redemption or exchange. *Non-covered shares* generally consist of shares acquired prior to the January 1, 2012 legislation effective date.

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What is a Cost Basis Method?

A cost basis method is an accounting method used to determine how shares in your account are depleted upon redemption or exchange and for purposes of calculating the basis and therefore the gain or loss on those shares. The cost basis method you select will determine both the depletion order of the shares which are redeemed or exchanged and how your cost basis information is calculated and subsequently reported to you and to the Internal Revenue Service (IRS).

The cost basis method you elect is generally only applicable to shares acquired after January 1, 2012 and can be changed at any time, prospectively. Failure to elect a cost basis method may limit the options available to you at the time of a redemption or exchange. If a cost basis method has not been elected, your account will default to the Fund's default method. A cost basis method election will apply to all identically registered accounts unless you inform us otherwise.

What is a mutual fund cost basis default election?

A mutual fund default election is a method selected by the mutual fund for tracking cost basis of covered shares in the event you have not made an account election.

What is an account cost basis election?

A cost basis account election is an election you select on an account-by-account basis to calculate cost basis. Redemptions will use the account cost basis election unless directed otherwise by the settlement of the trade.

What is a tax lot?

A tax lot consists of shares of a mutual fund purchased at the same price on the same day. The cost basis method determines which cost basis lots are sold first.

How can I change my cost-basis method for my fund shares?

A fund shareholder may not switch from average cost to another method for shares purchased before January 1, 2012. However, you may choose a different method for shares you purchase on or after January 1, 2012. Note: Although non-covered shares will continue to be calculated using average cost, you are not required to use those numbers. The gain/loss of non-covered shares will not be reported to the IRS.

For new accounts, complete the Cost Basis Method section within the account application. For existing accounts, complete the Cost Basis Method Election Form. The impact of a Cost Basis Method change on or after the date of the first redemption of covered shares is dependent upon your current Cost Basis Method. If your current method is Average Cost, then a change to another method applies only to shares acquired after the date of the first redemption from your account. For all other methods, a change in method will apply to all remaining covered shares in your account

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What cost basis methods do I have available for my fund shares?

Cost Basis Method	Description
Average Cost	A cost basis method using the average cost to calculate the adjusted cost basis for shares, which in turn is used to calculate the gain or loss for the shares sold. All of the purchase costs are added together in an aggregate cost amount. The cost per share can be determined by dividing the aggregate cost amount by the total shares in the account. The basis of the shares redeemed can then be determined by multiplying the shares redeemed by the cost per share. Shares are sold in a first in, first out order within each lot category, depleting non-covered unknown shares first then non-covered known shares and lastly covered shares.
First-in, First-out (FIFO)	A cost basis method using the adjusted cost basis to calculate the gain or loss for the shares sold. The depletion order of the covered tax lots are those acquired first or with the oldest age date to be the lot sold first.
Highest Cost, All shares (HIFA)	A form of the specific ID cost basis method, using the adjusted cost basis to calculate the gain or loss for the shares sold. The depletion order of the covered tax lots as those with the highest adjusted cost basis to be the lots sold first.
Highest Cost, Long-term shares (HIFL)	A form of the specific ID cost basis method, using the adjusted cost basis to calculation the gain or loss for the shares sold. The depletion order of the covered tax lots are those held more than one year with the highest cost to be the lots sold first, then the lots held one year or less with the highest cost.
Highest Cost, Short-term shares (HIFS)	A form of the specific ID cost basis method, using the adjusted cost basis to calculation the gain or loss for the shares sold. The depletion order of the covered tax lots are those held one year or less with the highest cost to be the lots sold first, then the lots more than one year or less with the highest cost.
Last-in, First-out (LIFO)	A cost basis method using the adjusted cost basis to calculate the gain or loss for the shares sold. The depletion order of the covered tax lots are those acquired last or with the newest age date to be the lot sold first.
Lowest-cost, All shares (LOFA)	A form of the specific ID cost basis method, using the adjusted cost basis to calculate the gain or loss for the shares sold. The depletion order of the covered tax lots as those with the lowest adjusted cost basis to be the lots sold first.
Lowest-cost, Long-term shares (LOFL)	A form of the specific ID cost basis method, using the adjusted cost basis to calculation the gain or loss for the shares sold. The depletion order of the covered tax lots are those held more than one year with the lowest cost to be the lots sold first, then the lots held one year or less with the lowest cost.
Lowest Cost, Short-term (LOFS)	A form of the specific ID cost basis method, using the adjusted cost basis to calculation the gain or loss for the shares sold. The depletion order of the covered tax lots are those held one year or less with the lowest cost to be the lots sold first, then the lots held more than one year or less with the lowest cost.

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When and how will the fund report cost-basis information to me?

Your existing account(s) which contained a valid average cost figure for non-covered shares were historically eligible to receive an Average Cost Statement which provided basis information to you (but not the IRS). Beginning with the 2012 tax year, all basis information will be reported to you on IRS Form 1099-B. That form will additionally report the designation of shares as either covered or non-covered and whether the holding period of those shares is short-term or long-term. Remember, the IRS does not receive basis information for non-covered shares.

Why don't my cost basis records match what I see from the fund?

The fund's cost basis accounting service only offered average cost for non-covered mutual fund shares. If you have previously sold shares and used any other cost-basis method, the fund records may not match yours.

Will changing my cost-basis method affect past sales?

No. The fund will not apply your cost-basis method to any past transactions. Changing your cost-basis method will apply only to current and future sales.

Where Do I Report Cost Basis Information?

Cost basis information is a critical component of your federal and state tax return filings. The basis information provided to you on Form 1099-B may be required to complete, at a minimum, IRS Form 8949, IRS 1040 Schedule D, and the IRS 1040 tax return. Please visit the IRS website at www.irs.gov, the website for the state in which you pay taxes, and contact your tax advisor for more details on where to report the information contained within IRS Form 1099-B.

Is cost-basis information available for all account types?

No. Cost-basis information is not available for the following types of accounts: money market, profit-sharing and money purchase pension plans, Coverdell educational savings, Individual Retirement Accounts ("IRA"s) including Traditional, Roth, SEP and Simple IRA and 403(b)(7) accounts.

What are "wash sales," and does the fund track them?

Under current IRS regulations, a wash sale occurs if a shareholder attempts to claim a loss on the sale of an investment if a substantially identical investment is purchased within 30 days before or after the sale. If this occurs, the loss would be disallowed. For shares covered by the new legislation effective January 1, 2012, the fund is only required to track wash sales where both the sale and the purchase resulting in the wash sale are from identical securities occurring in the same account. The fund does not track wash sales across accounts with different registrations; for example, between your individual account and your joint account or between your individual account and your IRA.

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Do I have to select a cost basis method?

For covered securities sold, you do not need to do anything if you would like your cost basis method to be the fund default election. You do not need to choose a cost basis method until you sell a covered security.

How will shares be sold in my account if I have both non-covered and covered shares?

Unless directed otherwise by you, the fund will follow the financial industry best practice of depleting non-covered shares with unknown cost basis first, then non-covered shares with known basis, followed by covered shares.

What Is A Bifurcated Account?

A bifurcated account is an account which contains two buckets of shares; one containing *non-covered shares* (without an IRS basis reporting requirement) and a second containing *covered shares* (IRS basis reporting is required). Cost basis information is only reported to the IRS for *covered shares*.

Note: If your account uses the *Average Cost* method for *covered shares* AND basis information for *non-covered shares* is presently available, as a courtesy, basis information for those *non-covered shares* will be reported to you on Form 1099-B, but not to the IRS.

Who Do I Contact With Questions?

For more information on how the Cost Basis Method you elect may impact tax reporting on your account, please visit the IRS website at www.irs.gov or contact your tax advisor. Please contact our Shareholder Services Department at 800-555-2222 for general cost basis and other tax reporting questions.